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**NEWS RELEASE**

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**PSC APPROVES POLLUTION CONTROL PROJECT FOR EKPC**  
*Utility to build scrubber at plant in Mason County*

FRANKFORT, Ky. (Aug. 11, 2006) – The Kentucky Public Service Commission (PSC) today approved construction of a project that will further reduce air emissions from the East Kentucky Power Cooperative's (EKPC) H.L. Spurlock Power Station near Maysville.

The \$142 million scrubber, which will be added to the Spurlock 1 unit, is required in order for EKPC to comply with U.S. Environmental Protection Agency (EPA) requirements to further reduce air emissions from coal-fired power plants by 2010. The scrubber will reduce emissions of sulfur dioxide, which is a byproduct of coal combustion.

Under Kentucky law, EKPC will be able to recover the cost of the scrubber in the future through a surcharge on the electric bills of customers served by the rural electric cooperatives to which EKPC provides power. The impact on individual electric bills will depend on actual construction costs, interest rates and other factors.

But EKPC predicted that the costs of the scrubber will be partly offset by lower fuel costs, since the scrubber will enable the Spurlock unit to burn high-sulfur coal, which is generally less expensive than low-sulfur fuel. Electric utilities in Kentucky are required to pass on to consumers any savings that result from reductions in fuel costs.

EKPC is owned by the 16 distribution cooperatives to which it provides wholesale electric generation and transmission service. Those distribution cooperatives serve about 500,000 customers in 89 Kentucky counties.

New EPA standards – announced in December 2003 and finalized in March 2005 – require companies to achieve substantial additional reductions in sulfur dioxide emissions.

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EKPC examined three options for meeting the new standards:

- Burn low-sulfur coal from the Central Appalachians and purchase emission allowances as needed.
- Burn low-sulfur coal from Wyoming and Montana and buy emission allowances.
- Construct the scrubber, which will allow the use of high-sulfur coal from Kentucky and nearby states

Both emission allowances and low-sulfur coal, particularly from the Appalachians, are becoming more expensive, making a scrubber a viable option, EKPC said in its application to the PSC.

Most low-sulfur coal is mined in Wyoming and other western states, with smaller quantities coming from Appalachia. High-sulfur is abundant in Appalachia and the Illinois Basin, which includes the coalfields of western Kentucky.

An economic analysis showed that building the scrubber would be less expensive than using low-sulfur Appalachian coal, with savings of about \$206 million over 30 years. The scrubber would produce minimal savings when compared to the use of low-sulfur Powder River Basin coal from Wyoming and Montana.

But there are drawbacks to using Powder River Basin coal, including potential problems with transportation reliability, EKPC said in requesting approval to construct the scrubber.

The PSC concurred, saying in today's order that the scrubber is reasonable and cost-effective way for EKPC to comply with the new air emission standards.

The PSC approved a similar scrubber project for the Spurlock 2 unit in April.

Today's order and other documents in the case are available on the PSC Web site. The case number is 2006-00132.

The PSC is an agency within the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the Commonwealth of Kentucky and has approximately 110 employees.